



Oregon
Environmental
Council
It's Your Oregon



climate
solutions
accelerating the transition
to our clean energy future

April 15, 2019

Co-Chair Power, Co-Chair Dembrow
Co-Vice Chair Brock Smith, Co-Vice Chair Bentz
Joint Committee on Carbon Reduction

Re: HB 3425, Climate Action Credit

Co-Chairs, Co-Vice Chairs, and Members of the Committee:

Climate change, as the Joint Committee has acknowledged, is an urgent issue. We appreciate the scientific expertise the Committee has heard from, which we also see reflected in recent headlines about climate impacts hitting Oregon—floods that have decimated family-owned nurseries along the swollen Willamette River, early wildfire seasons have already started in Southern Oregon, and heavy rains that have caused culvert washouts and damaged coastal roadways. It's time for urgent action and we appreciate the work done on HB 2020.

The committee will also be contemplating HB 3425, a bill to use cap-and-invest resources to refund dollars to lower-income drivers. First, we appreciate the attention to low-income Oregonians. We firmly believe that cap-and-invest programs can improve the quality of life for all Oregonians and have fought for an allocation for "impacted communities"—those individuals and communities that have the fewest resources to adapt to climate impacts or adopt new clean economy technologies. It's important the program creates shared benefits for these communities.

Indeed, lower-income communities have benefited from similar climate programs in other states. UCLA's Luskin School of Public Affairs found that cap-and-invest programs benefited local economics and consumers. California's cap & trade program reduced electricity bills by \$50 per year, natural gas bills by as much as \$18 per year, and gasoline expenditures by as much as \$98 per year for low-income households.¹

Similarly, a study commissioned by Consumers Union found that climate-smart transportation policies in California create household savings, including:

- ICF estimates that households will save between \$1,210–1,530 annually by 2030 (after accounting for the impacts of California's transportation policies) and that consumers will

¹ Gattaciecceca, Julien et al, "Protecting the Most Vulnerable: A Financial Analysis of Cap-and-Trade's Impact on Households in Disadvantaged Communities Across California," UCLA Luskin School of Public Affairs (April 2016),

<http://innovation.luskin.ucla.edu/sites/default/files/FINAL%20CAP%20AND%20TRADE%20REPORT.pdf>

face considerably lower annual fuel expenditures moving forward. This net savings estimate includes the potential for increased fuel pricing as a result of compliance costs with California's low carbon transportation policies, as well as the improved efficiency of vehicles and lower vehicles miles traveled that result from these policies.

- Low income households' exposure to fuel pricing is reduced by 40–45 percent.
- ICF estimates avoided damage costs in the range of \$3.0–4.8 billion annually by 2030 as a result of California's climate-smart transportation policies. Those avoided damage costs are attributable to reduced criteria pollutant emissions, reduced greenhouse gas emissions, and reduced petroleum consumption.²

As the Committee considers the bill, we hope you take into consideration the following:

- The Climate Action Credit should be considered “transitional assistance.” As such, it should be time limited – 6 years could be a reasonable period for two compliance periods and to coincide with the sunset of other investment percentages. As the cap-and-invest program progresses, resources should be focused on providing individuals and households with solutions that lower greenhouse gas pollution and cut transportation costs. These include improving access to more fuel efficient vehicles and electric vehicles, expanding transit (including for seniors and disabled community members), and more bike and walking safety improvements.
 - More fuel efficient models exist for all vehicle types, whether they be pickup trucks, SUVs, or cars.
 - Electric cars cut fuels costs by more than 50%.
- The Climate Action Credit should not create perverse incentives and should not pay people to drive more. In its best form, the formula would reward the use of more efficient vehicles. It should not be volumetric.
- Last, the formula included in the bill is likely to overestimate “carbon costs” by not factoring in the inherent flexibility of a cap-and-invest program. Different from a carbon tax, the program to be created by HB 2020 allows regulated parties multiple ways to comply, including reducing emissions, using offsets, and banking lower cost allowances for later use.

We appreciate your attention to the seriousness of climate change and the imperative for action to transition off of fossil fuels.

Sincerely,

Jana Gastellum
Program Director, Climate
Oregon Environmental Council

Meredith Connolly
Oregon Director
Climate Solutions

² Consumer Union, ICF, “Consumer Impacts of California's Low-Carbon Transportation Policies,” 2016. <https://consumersunion.org/research/lctreport/>